

ELECTRIC RATES IN VIRGINIA

How are they determined by the State Corporation Commission?

Governed by Law

- Electric rates in Virginia are determined in rate cases conducted by the State Corporation Commission (SCC).
- These rate cases are governed by applicable laws, primarily statutes enacted by the General Assembly of Virginia. Occasionally federal laws enacted by the U.S. Congress or regulations issued by federal administrative agencies such as the Federal Energy Regulatory Commission (FERC) apply to a Virginia rate case.
- In conducting rate cases, the SCC functions in a manner similar to a court of law, following applicable laws and its own rules of practice and procedure, to guarantee all parties due process.
- The utility that seeks the rate change is always one party. Other interested parties, including members of the public, may intervene and participate formally in the case. Other parties often include the Office of Attorney General's Division of Consumer Counsel and organizations representing large and small customers. The Commission Staff also participates in rate cases. These formal case participants must follow the Commission's Rules of Practice and Procedure.
- Just like in a civil court, formal parties are allowed to engage in discovery (fact finding) of other parties (and are subject to discovery themselves), submit evidence, and conduct direct and cross-examination of witnesses at the hearing.
- Consistent with Virginia law, the SCC often appoints Hearing Examiners to manage the gathering of evidence and make recommendations. Even when Hearing Examiners are utilized, the SCC Commissioners make the final decision in a case.

How the Public May Also Participate

Members of the public who are not formal parties to a rate case may participate in two ways: First, members of the public may [submit written or electronic comments](#) to the SCC. This comment becomes part of the case record and is reviewed by the SCC Commissioners. Second, members of the public can appear as public witnesses at a public hearing and offer testimony. Public witnesses are sworn in and are subject to cross-examination when testifying.

Basic Ratemaking Principles of Virginia Law

While rate cases are usually quite complex, Virginia law requires that regulated electric utilities be given an opportunity to recover through their rates their "reasonable and prudent" operating expenses, plus a "fair" rate of return (profit) on their "rate base," which is the value of their capital investment in things like generating stations and the distribution grid. Rates must be "just and reasonable" and the statute sets forth how the Commission is to determine a fair rate of return. (Va. Code §§ [56-235.2](#) and [56-585.1](#)).

Cases to Recover Cost of Fuel and Other Costs

- Virginia law requires that a utility's fuel costs can be recovered annually if they are proven to be reasonable and were not the result of the utility's unreasonable failure to minimize such costs. (Va. Code § [56-249.6](#)). Further, under Virginia law, up to 75% of the profits from sales that a utility makes to other electric utilities can be credited to its customers in a fuel-cost proceeding, with the utility allowed to keep 25% of such "off system" sales profits. (Va. Code § [56-249.6 D 1](#)).
- Transmission costs encompassed by Va. Code § [56-585.1 A 4](#) are recoverable through rate surcharges that may change annually.
- Utilities also may request separate rate surcharges for, among other things, environmental and reliability costs, conservation programs, renewable energy programs, and generation facilities. (Va. Code § [56-585.1 A](#)).

Electric Co-ops

There are also additional statutes governing rates for electric cooperatives. (Va. Code §§ [56-231.15 et seq.](#) and [56-585.3](#)). These provisions, among other things, permit cooperatives to increase rates five percent in a three-year period (not including fuel increases) without Commission approval.

Summary

- The applicable portions of Virginia law that govern rate cases are generally found in Va. Code § [56-585.1](#) and Chapter 10 of Title 56 of the Code of Virginia (Va. Code § [56-532 et seq.](#)), although other code sections may sometimes apply.
- It is important to recognize that in *each* case involving electric rates, *the SCC is required to follow the laws* that are applicable to the factual evidence in the record. Decisions of the SCC may be appealed to the Supreme Court of Virginia as a matter of right. (Va. Code § [12.1-39](#)).
- For further information, contact [Ken Schrad](#) in the SCC's public information office at (804) 371-9858.

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